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ENTERPRISE RISK MANAGEMENT DISCLOSURE AND CEO CHARACTERISTICS: AN EMPIRICAL STUDY OF GO PUBLIC COMPANIES IN INDONESIA

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Abstract. Organizations can use enterprise risk management disclosures to share financial and non-financial risk information with external stakeholders. Chief Executive Officer (CEO) has a key role in enterprise risk management. This study examines the relationship between Indonesian CEOs' characteristics and enterprise risk management disclosure. Purposive sampling is the basis for the process of gathering samples from the population. The research was conducted in 2020 and consisted of 475 non-financial Indonesian companies that were listed on the Indonesian Stock Exchange. The findings of previously released annual reports may be found on the websites of both the Indonesia Stock Exchange and individual companies. These secondary sources were used to compile the study data. The ISO framework index 31000:2018 is utilized to evaluate the Enterprise risk management (ERM) disclosure. Eviews10's implementation of multiple regression serves as the basis for the analysis. The findings indicate that CEO overconfidence and CEO tenure influence enterprise risk management disclosure, while CEO financial expertise and CEO gender did not have an effect on enterprise risk management disclosure. The innovation of this research is investigating CEOs' characteristics by psychological characteristics, namely CEO overconfidence and measurement of ERM disclosure based on the ISO 31000:2018 framework which is the latest standard of risk management.

Keywords: enterprise risk management disclosure, CEO overconfidence, financial expertise, gender, tenure.

JEL Classification: G32, G38, M12.

Introduction

Enterprise risk management (ERM) is a new risk management method. ERM is an integrated and rigorous strategy for assessing company risks, according to Acharyya and Brady (2014). This procedure creates a risk-aware company culture. ERM's improved reporting, structure, and risk analysis will help higher authorities make better risk mitigation decisions. This strategy improves risk focus and perspective, resource efficiency, and regulatory compliance. ERM makes audits and reviews faster and cheaper. ERM minimizes financial, operational, strategic, and dangers (Acharyya & Brady, 2014). Iswajuni et al. (2018) said risk management is an inseparable part of a company's strategy and its execution is done to minimize and mitigate risk to the minimum level so the company can survive in competition. Integrated risk management, or Enterprise Risk Management, helps increase risk management implementation quality (ERM).

On February 14, 2018, the International Organization for Standardization released ISO 31000:2018 Risk management – Guidelines. The 2018 version streamlines the 2009 one. The Indonesian National Standard 8615:2018 ISO 31000:2018 Risk management – Guidelines has accepted ISO 31000:2018. (SNI ISO 31000:2018). The SNI ISO 31000:2018 standard includes principles, a framework, and risk management process.

ERM disclosures can give outside parties financial and nonfinancial risk profile information. ERM disclosure shows the company's risk management commitment (Hoyt & Liebenberg, 2011). A corporation will be judged favorably if it makes more disclosures since it has used transparency (Rustiarini, 2012). High ERM disclosure indicates strong company governance, including the control and management of corporate risk (Arifah & Wirajaya, 2018). This supports the claim Baxter et al. (2013) that high-quality ERM disclosure can positively affect market participants. So, excellent ERM disclosure is a favorable indication since investors may assess the company's future prospects using ERM data.

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Indonesia's risk management is new and inefficient. In the financial industry, Regulation 18/POJK.03/2016 covers risk management. Good Corporate Governance (GCG) still incorporates risk management measures in the non-financial sector, making them less effective. The National Committee on Governance Policy then produced Governance-Based Risk Management Guidelines in 2012. Indonesian regulators design guidelines to improve company risk reporting (Trisnawati et al., 2019). Based on the results of a survey performed by the Center for Risk Management Studies (CRMS) regarding the use of the risk management framework in Indonesia in 2018, it was determined that 67.5% of enterprises in Indonesia had implemented ISO 31000 risk management framework, while only 15% of enterprises in Indonesia used Committee of Sponsoring Organizations of the Treadway Commissions (COSO) ERM. It is shown in Table 1.

Table 1. National Risk Management Survey Results 2018 (CRMS Indonesia, 2018)

Standard	2016	2017	2018
ISO 31000	61.5%	62%	67.5%
COSO ERM	17.84%	19%	15%
Other	20.66%	19%	17.5%

When examining the three industries that make up the greatest portion of this survey's sample, there are considerable variances in how each industry uses the framework. With a usage rate of 57%, the financial and insurance activities industry is one of the industries that utilizes ISO 31000 the least. In contrast, as demonstrated in Table 2, 69% of other service activity businesses and 79% of processing industries adopt ISO 31000.

Table 2. Maturity level of risk management in Indonesian companies (CRMS Indonesia, 2018)

Sector	Maturity Level
Financial and Insurance Activities	58%
Other Service Activities	69%
Processing Industry	79%

Existing management is necessary for successful ERM implementation within the organization. As the company's highest official, the Chief Executive Officer (CEO) plays a vital role in this situation. The CEO's propensity for taking risks is heavily influenced by his personality and outlook. Thus, a CEO's personality traits and characteristics can have far-reaching consequences for the business. Individual and demographic CEO characteristics, such as CEO overconfidence, CEO financial expertise, CEO gender or female CEO, and CEO tenure (CEO who has a long tenure), are the subject of this study. This characteristic is an extension of those developed by the theory of Hambrick and Mason (1984). CEOs' sociological, professional, individual, and physiological qualities can influence a range of business decisions, thus this study applies them along with those of the general population (Alqatamin et al., 2017).

In prior research, the dependent variable was voluntarily disclosed information such as Forward-Looking Information (FLI) disclosure, Environmental, Social and Governance (ESG) disclosure, Research and Development (R&D) disclosure. The FLI disclosure were investigated by Alqatamin et al. (2017) with the sample are 270 ASE companies. Sumunar and Djakman (2020) is to determine whether or not CEO overconfidence contributes to the risk faced by a company and to assess the moderating role that ESG disclosure plays in this context for manufacturing firms in Indonesia, Malaysia, the Philippines, Singapore, and Thailand between 2012 and 2016. FLI disclosure in Indonesian manufacturing enterprises was studied by Mardani et al. (2020) who looked at how director qualities affected FLI disclosure. By analysing narrative R&D disclosures and CEO overconfidence, Rawson (2021) analyses the influence of management perception in proprietary disclosure decisions.

Differentiating this study from others is the emphasis on CEO overconfidence as psychological characteristics and ERM disclosure by the latest standard. Most previous studies only look at observable characteristics, which may have overlooked the psychological characteristics. Besides that, the most striking distinction between this study and others is the adoption of ISO 31000:2018 as a stand-in for the ERM disclosure. The study used the latest version of ISO 31000:2018, which was amended and published by ISO (International Organization for Standardization) on February 14, 2018. It has been recognized by the National Committee for Governance Policy (KNKG) as an international standard risk management and is used by the Centre for Risk Management Studies (CRMS) to assess the effectiveness of risk management. This standard also can be applied to all types of organizations.

1. Literature review and hypothesis

Executives are largely accountable for ERM, although all parties are expected to participate. Studies have examined the association between CEO traits and business disclosure. This study analyzes how CEO personal and professional qualities affect ERM disclosure. Recent research on how top management affects organizational strategy and performance uses Hambrick and Mason's upper echelon theory. Hambrick and Mason (1984) say CEO behavior influences company decision making, financial reporting, and outcomes. The firm makes complex judgments based on how people act, not economics (Alazzani et al., 2019). CEO decisions are psychological and observable. Age, work history, functional tracks, socioeconomic background, education, financial standing, and group traits can be seen. Cognitive base and values, psychological factors, reflect the CEO's core personality attributes (Kim, 2021).

Cain and Mckeon (2016) explain how risk-taking affects corporate policies. Faccio et al. (2016) use Amadeus Top 250,000 and World scope to examine CEO risk-taking. Farag and Mallin (2016) use data from 892 IPOs on the Shanghai and Shenzhen Stock Exchanges to examine CEOs' willingness to take calculated risks. Peltomäki et al. (2021) investigate S&P 1500 companies from 2006–2018 to see if CEO age and gender effect firm risk. Serfling (2014) studies Executive Comp businesses from 1992 to 2010 to show a link between CEO age and risk-taking. Their findings imply CEO traits are substantially linked to business outcomes.

Most upper echelon theory research focuses on observables and ignores CEO psychology. No research has linked CEO personality to strategic influence and performance (Chatterjee & Hambrick, 2007). The research should cover the CEO's personality. Psychological biases like overconfidence play a crucial role in organizations' strategic decisions, a review of CEO behavior literature found (Hirshleifer et al., 2012). Upper echelon theory (UET) study links specific CEO traits to positive effects like greater transparency and output (Bamber & Wang, 2010). CEO traits and firm transparency have been studied. This study looks into psychological and demographic CEO risk factors. Previous studies focused on demographics.

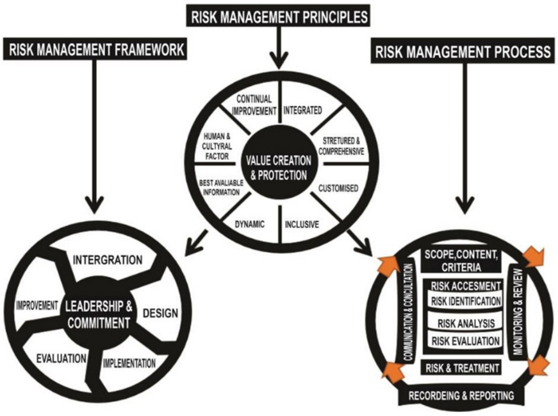

Figure 1. Principles, frameworks, and processes for risk management by following under ISO 31000: 2018

ISO 31000:2018 provides a better structure and technique for designing, implementing, and improving a company's risk management process (grc-indonesia.com). ISO 31000:2018's three overlapping rings represent risk management. As shown in Figure 1, the circle represents three components of risk management that cannot be separated: principles, framework, and risk management processes.

Adopting ERM practices can benefit firms. Enterprise Risk Management begins with a unified strategy. In today's complicated environment, enterprise risk management (ERM) has grown as a technique for spotting threats to a company's physical and people assets (Abkowitz & Camp, 2017). Risk cannot be eliminated or prevented, but it can be reduced with enterprise risk management approaches (Jannah et al., 2020). ERM increases a business's ability to stay ahead of the competition, meet its objectives, lower revenue volatility, stabilize performance, motivate its employees, and maximize its value (Chartpolrak & Tangthong, 2020). According to Soltanizadeh et al. (2016) and Yang et al. (2018) the benefits of a well-implemented ERM system include lower capital costs, lower earnings volatility, higher shareholder value, lower stock volatility, a competitive advantage that can be exploited, better decision-making capabilities, and higher investor and stakeholder confidence. Reduce these risks to avoid future difficulties (Salleh et al., 2020). Thus, ERM reduces potential threats.

The COSO Framework positions the CEO as the ERM's driving force, with extensive responsibilities across the entire process. COSO argues that the CEO's engagement is vital for ERM's performance since ERM should be integrated into how a firm is handled and operated. The CEO is in a unique position to handle risk management for the firm (Faisal, 2020). This can be derived from the CEO's intrinsic qualities, which are linked to ERM disclosure in this research. This study examines how CEO overconfidence, financial expertise, gender, and tenure effect ERM disclosure. Figure 2 shows the conceptual relationship between these study components.

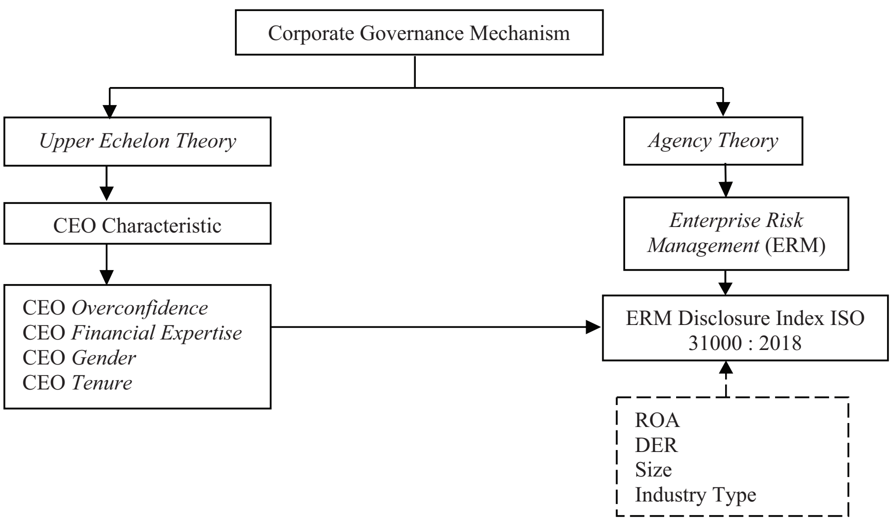

Figure 2. Conceptual model: Relationship between CEO overconfidence, financial expertise, gender, tenure, factors affecting ERM disclosure, and ERM disclosure

1.1. The effect of CEO overconfidence on enterprise risk management disclosure

Overconfidence is a trait of the narcissistic personality, which considers itself superior to others, according to psychological and management literature (Chatterjee & Hambrick, 2007). Based on interviews with three communication specialists (two executives Communication Company and external communication consultant), Chatterjee and Hambrick (2007) found that the CEO has a significant impact on the role within the annual report. The CEO of a company has an opportunity to establish themselves as the company's leader as well as report on the company's progress and potential in the annual report. Despite the fact that a CEO photo is a standard element of the annual report, it is not a universal characteristic. It is said that the CEO pays close attention to the contents and layout of the annual report, and also has his or her own preferences and control over how the information is presented. The CEO is confident that he or she will receive numerous mentions in the company's annual report, as his or her arrogance and assertiveness indicate that he or she is significantly more important than the rest of the organization's employees. The CEO's tendency toward narcissism is suggested by the annual report's visual dominance. An overconfident CEO who can guide the company and make objective decisions, such making voluntary disclosures, might help lessen the dangers it faces. Executives who are overconfident may try to mitigate the dangers brought on by the existence of a knowledge gap by providing more information to the public (Sumunar & Djakman, 2020). Voluntary disclosures are a common tool used by overconfident CEOs to boost the openness of their company's data and methods. The overconfident CEO operates under the principle that he has the authority to take the necessary steps to boost information transparency and disclosure (Dhaliwal et al., 2012).

The "better than average effect," which can be seen in psychological literature, contributes to CEOs' common overconfidence. One's overly optimistic outlook qualifies as "better than normal." When it comes to studying human irrationality in the business sector, it's not just investors who have been investigated. Managers' inherent biases have a significant effect on company decisions (Park et al., 2020). Previous research has shown that overconfident chief executives are more hopeful about the future. Given this, self-assured managers usually differentiate themselves by being open (Adam et al., 2015). Directors that are overconfident in their company's capabilities will present more evidence to external parties that their company's prospects are superior to those of competitors (Mardani et al., 2020). Adam et al. (2015) discovered that managerial overconfidence affected investment and capital structure policies, innovation, mergers and acquisitions, security offerings, investment bank links, and company risk management decisions. CEOs' levels of self-assurance have an effect on how open a firm is, according to research by Alqatamin et al. (2017) found that CEO overconfidence has an impact on company transparency. Using these numbers, this study investigates whether or not there is a connection between CEO Overconfidence and ERM Disclosure. Based on the explanation above, the hypothesis is obtained as follows:

Hypothesis 1: CEO overconfidence affects enterprise risk management disclosure.

1.2. The effect of CEO financial expertise on enterprise risk management disclosure

The CEO's attitude and actions are influenced by his or her professional experience. Chief executives' work experiences influence their strategic decisions and execution. Financially savvy CEOs are more inclined to leak firm secrets, and the CEO's job experience shows risk-taking behaviour. CEOs can affect financial reporting quality. The financial skills and knowledge of CEOs enable them to make sound accounting decisions and enhance financial reporting. Extensive knowledge and familiarity with financial markets make CEOs aware of the type of information investors want and the significance of accounting data in company valuation (Custódio & Metzger, 2014). Expertise in finance is necessary for CEOs to comprehend complex company operations and the risks associated with company policies, but sometimes CEOs lack sufficient financial expertise to identify and control exposure to risk; therefore, financial expertise can make CEOs more effective and efficient in terms of risk management (Tarus, 2020).

Ali and Taylor (2014) discovered that CEO education, namely those with professional accounting or MBA qualifications, is associated with company risk disclosure. Sweiti (2017) argues that financial literacy training for boards influences disclosure decisions by encouraging the disclosure of strategic, non-financial, social, and board-related information. Li et al. (2019), who studied the effect of CEO characteristics on the disclosure of environmental information in the annual reports of companies listed on the Thailand Stock Exchange, found that senior executives with accounting, finance, and economics degrees can gain financial expertise through prior work experience or external education. In addition, Mohamed et al. (2020) discovered that CEOs with a financial education were more effective in terms of decision-making and communication with external parties of the organization (stakeholders). They will understand the benefits of voluntary company disclosures, such as the decision to share environmental information. The CEO has an accounting, financial, or business background. CEOs with economics, accounting, or business backgrounds are seen to understand how to run a corporation and to be better suited to manage risk disclosure processes. Investors place greater trust in a CEO's capacity to manage organizational risks if he is financially competent (Faisal, 2020). Assuming CEOs with financial, accounting, and business backgrounds appreciate the need of openness in risk management, they may be able to persuade their management team to implement certain improvements (Ahmad et al., 2015). This outcome is consistent with Zango's et al. (2016) conclusion that a board's experience in finance and accounting increases financial risk disclosure. These results will be used to determine how much CEO financial knowledge influences ERM disclosure. The following hypothesis is derived from the preceding explanation:

Hypothesis 2: Companies with CEO financial expertise affect the disclosure of enterprise risk management.

1.3. The effect of CEO gender on enterprise risk management disclosure

Diversity of gender among CEOs influences communication and decision-making about CEO-authored reports. Male or female, chief executive officers make decisions that affect a company's profitability. In most cases, men have a stronger influence than women do (Varadina & Diatmika, 2018). According to the findings of Abad et al. (2017), female board members were more receptive to hearing alternative viewpoints and ideas than their male counterparts were. Women on boards take their responsibilities more seriously than men, giving them a heightened interest in corporate management. Women-dominated boards make more deliberate decisions. Female directors are more strict and communicative with the monitoring committee or expect more severe auditing than men (Khaw & Liao, 2018). Multi-gender directors' diverse backgrounds affect corporate disclosure standards. Personality, knowledge, and education may impact their views on business openness (Kiflee et al., 2020). A female director can boost strategic decision making and corporate governance because of her unique beliefs, customs, and perspectives (Rouf, 2016).

A company's reputation and bottom line can benefit from having more women on its board of directors (Low et al., 2015). Yang et al. (2019) considers their behaviours and history inside the company. Studies indicate that corporations are more transparent when women participate on boards of directors and as chief executive officers (Yang et al., 2019). By enabling more women to engage in CSDs, stock market volatility, hazards, adverse selection, and information asymmetry between the firm and its stakeholders are all diminished (Abad et al., 2017). Men's and women's distinct risk-taking habits are influenced by gender norms, according to studies. According to Khandelwal et al. (2020), the presence of women on a board improves its efficacy, accountability, and transparency, which influences risk reporting. The proportion of female board members influences the disclosure of financial risk, according to the results of Saggar and Singh (2017)'s, findings, the proportion of female board members has an effect on the disclosure of financial risk. Rouf (2016) found that the number of female directors influences the quantity of voluntary disclosure made by non-financial firms listed on the Dhaka Stock Exchange. According to Allini et al. (2016), the participation of female directors can increase board performance, as well as responsibility and transparency, which in turn increases corporate risk disclosure. Panditharathna (2019) observed that the number of women on a company's board of directors affected the amount of information that was freely given. According to the findings, the gender of the CEO influenced the ERM disclosure. On the basis of the preceding explanation, the following conclusion can be drawn:

Hypothesis 3: Companies with female CEOs affect the disclosure of enterprise risk management.

1.4. The effect of CEO tenure on enterprise risk management disclosure

The tenure of a CEO is the amount of time they have led a company. The longer a CEO has worked in a company, the greater his managerial knowledge. Longevity boosts the CEO's knowledge, enabling him to create excellent management strategies (Sudana & Dwiputri, 2018). CEOs in their early careers report good performance. If real performance falls short of expectations, the CEO has an incentive to aggressively report sales results in order to increase revenue (Nurmayanti & Rakhman, 2017). CEOs with short tenures are required to make full use of voluntary disclosures in communicating earnings predictions and proving their managerial skills. Long-tenured CEOs prefer not to display their abilities because the market knows their corporate reputation and management performance. Moreover, if the average length of employment is just 4.8 years, CEOs reappointed after the 3-year term expires will be less compelled to show themselves in the market. CEOs in the middle to later stages of their careers attempt to resolve market uncertainties about their management skills and develop a strong business reputation. At this stage, they view voluntary disclosure as effective. Newer management is more inclined to provide voluntary disclosures in a timely manner to prevent market questions about the CEO's competence (Park et al., 2016). CEO tenure may alter annual report content. According to agency theory, long-serving CEOs may underreport risks in annual reports (Ali et al., 2018). Longevity as CEO minimizes risk communication, including operational, environmental, financial, and strategic risk, according to Ali and Taylor (2014). This study examines the relationship between CEO tenure and ERM disclosure in Indonesian companies. This study links CEO characteristics to ERM reporting. This study examines how CEO overconfidence, financial expertise, gender, and tenure effect ERM disclosure. The following hypothesis is derived from the explanation given above:

Hypothesis 4: CEO tenure affects enterprise risk management disclosure.

2. Methodology

The Indonesia Stock Exchange will be used to collect data for this study in 2020, and the sample will consist of companies that meet a criteria. The sample criteria in data processing are determined using a method of purposive sampling. Thus, 555 company data were collected; however, there were 80 data outliers due to the inability of the initial model to fit the data. Therefore, 475 companies are required to complete this research. The Table 3 describes a list of sample companies by industry type.

Table 3. List of sample companies by industry type

No	Sector	Amount
1.	Manufacture	168
2.	Property, Real Estate and Building Construction	72
3.	Infrastructure, Utilities and Transportation	57
4.	Trade, Services and Investment	100
5.	Agriculture	21
6.	Energy	57
	TOTAL	475

The dependent variable is ERM disclosure and independent variables in this analysis are CEO overconfidence, CEO financial expertise, CEO gender, and CEO tenure. Four control variables (ROA, DER, size, and industry type) were introduced to the model to improve its predictive ability. The measurement of these variables can be explained in Table 4.

Integrated descriptive and quantitative methods were utilized for this inquiry. The test of hypotheses based on a multiple linear regression model by collecting the appropriate data using the data analysis software Eviews10.

The following mathematical calculation is used to determine whether or not CEO characteristics have an impact on ERM disclosure:

$$ERM_{score} = \alpha + \beta_1 CEOo + \beta_2 dCEOe + \beta_3 dCEOg + \beta_4 CEOt + \beta_5 ROA + \beta_6 DER + \beta_7 Size + \beta_8 Industry + \varepsilon,$$

where ERM_{score} – ERM score is measured by the number of ERM indicators; α – Constant; β – Coefficient regression; CEOo – CEO Overconfidence; CEOe – Dummy CEO Financial Expertise; CEOg – Dummy CEO Gender; CEOt – CEO Tenure; ROA – Return to Asset; DER – Debt to Equity; Size – Ln Total Asset; Industry – Industry classification dichotomous; ε – error term.

3. Result and analysis

The summary statistics for both explanatory and independent variables are presented in Table 6. This table contains indicators for observation, minimum, maximum mean, and standard deviation. Based on statistic descriptive in the table, it can be explained that ERM disclosure has an average of 0.251 or 25.10% which means that the average ERM disclosure score is still low. This proves ISO 31000:2018 is a new risk management standard, so companies will need the enough time for implementing this standard. The CEO Overconfidence variable, which is represented by the CEO profile picture, has a minimum value of 1.000 and a maximum value of 4.000. The average

Table 4. Variable measurement

Variable	Variable Description	Measurement
Dependent	ERM Disclosure	Using ISO 31000:2018 as presented in Table 5. The dummy variable, if it discloses, the score is 1 , otherwise, the score is 0, then each item disclosed is added up and then divided by the total item that should be disclosed (Tarantika & Solikhah, 2019). $ERM_{score} = \frac{\text{Total ERM item score revealed}}{\text{Total ERM items that should have been disclosed}}$
Independent	CEO Overconfidence	Give the value to the CEO's photo contained in the annual report. Score 1 = no photo of the CEO, score 2 = photo of the CEO with 1 or more other executives, score 3 = photo of the CEO himself with less than half a page, score 4 = photo of the CEO himself with more than half the page (Ting et al., 2016; Schrand & Zechman, 2012)
	CEO Financial Expertise	This variable is measured by a dummy variable. Scored 1 if the CEO has a financial background, otherwise scored 0 (Faisal, 2020).
	CEO Gender	Measured by dummy variable, 1 if the CEO was a woman and 0 was a man (Faccio et al., 2016).
	CEO Tenure	Measured by the length of tenure of the CEO. The working period is calculated from the year of appointment as the President Director to the year of publication of the annual report (Faisal, 2020).
Control	Profitability	Measured by Return on Asset (ROA) (Achyani et al., 2020; Lestari et al., 2017).
	Leverage	Measured by Debt to Equity Ratio (DER) (Setiawati & Ifgayani, 2021).
	Firm Size	Measured by the logarithm of the company's total assets (Triyono et al., 2019).
	Industry Type	Proxied by a dichotomous 1 if the company is in the trade and service sector, 2 if the construction industry, 3 if the company is the consumer sector, 4 if the industrial sector, 5 for the plantation, 6 for the property sector, 7 if technology and infrastructure, 8 if the company is in the IPC sector and 0 otherwise (Linsley & Shrives, 2005).

Table 5. Risk Management Disclosure Index ISO 31000:2018

Indicators	Dimensions of Risk Management	Score
	A. Leadership and Commitment	1 = if disclose, 0 = if not disclose
1.	There includes information about the customization and implementation of each framework component.	1
2.	A strategy, plan, or course of action for risk management is defined in a statement or policy.	1
3.	There is information that the necessary resources for risk management are allocated	1
4.	There is information at the required organizational level regarding the assignment of authority, responsibility, and accountability.	1
	B. Integration	
1.	There is information that risk is managed in all parts of the organizational structure	1
2.	There is information that every organization member is responsible for risk management.	1
	C. Design	
1.	There is an understanding of the organization and its context.	
	a) External context	
	1) There are numerous social, cultural, political, legal, regulatory, monetary, technological, economic, and environmental issues to consider on a global, national, and even regional scale.	1
	2) There are key drivers and trends affecting organizational goals	1
	3) There are external stakeholder relationships, perceptions, values, requirements, and expectations.	1
	4) There is a contractual relationship and commitment	1
	5) There are dependencies and network complexity.	1
	b) Internal context	
	1) There is a vision, mission and values	1
	2) There is governance, organizational structure, roles and accountability	1
	3) There are strategies, objectives and policies	1
	4) There is an organizational culture	1
	5) The organization has adopted standards, guidelines, and models.	1
	6) Some abilities can be comprehended in terms of material assets and data (e.g. capital, time, people, intellectual property, processes, systems, and technology)	1
	7) There are data, information systems and information flow	1
	8) There is a relationship with internal stakeholders that considers their perspectives and beliefs.	1
	9) There is a contractual relationship and commitment	1
	10) There is interdependence and interconnection	1
2.	There is an articulation of risk management commitment	1
3.	There is a determination of organizational roles, authorities, responsibilities and accountability	1
4.	There is an allocation of resources	1
5.	There is a link between communication and consultation	1
	D. Implementation	
1.	There is the development of an appropriate plan, including time and resources	1
2.	It is specified where, when, how, and by whom different organizational choices are made.	1
3.	There is an appropriate modification of the decision-making process (if necessary)	1
4.	There is assurance that organizational arrangements for risk management are well-understood and implemented.	1
	E. Evaluation	
1.	The performance of the risk management framework is regularly measured against the objectives.	1
2.	There is a provision that addresses whether the risk management framework is still suitable for facilitating the achievement of organizational objectives.	1
	F. Improvement	
1.	There is an organization continuously monitoring and adapting the framework	1
2.	There is an organization that continuously enhances the risk management framework's suitability, adequacy, and efficacy.	1
	Total items disclosed	33

Table 6. The summarise of statistics

	ERMscore	CEOo	CEOe	CEOg	CEOt	ROA	DER	Size	Industry
Mean	0.251	3.391	0.2821	0.0737	6.079	–0.108	1.6203	28.333	3.543
Median	0.151	4.000	0.000	0.000	3.000	0.006	0.627	28.267	3.000
Maximum	1.000	4.000	1.000	1.000	49.000	0.4930	114.289	35.002	8.000
Minimum	0.060	1.000	0.000	0.000	0.000	–33.109	–39.326	21.907	0.000
Std. Dev.	0.215	0.719	0.450	0.261	9.014	1.5809	7.722839	1.9223	2.667
Skewness	1.692	–0.945	0.968	3.263	2.483	–19.517	10.072	–0.029	0.036
Kurtosis	4.938	3.272	1.938	11.65	9.123	402.847	139.701	3.210	1.738
Jarque-Bera	301.0	72.23	96.57	2324.4	1230.09	3194414	377883.3	0.9472	31.630
Probability	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.622	0.000
Sum	119.2	1611	134	35	2887.50	–51.347	769.685	13458.36	1683.000
Sum Sq. Dev.	21.93	245.1	96.19	32.42	38514.9	1184.699	28270.42	1751.64	3371.865
Observations	475	475	475	475	475	475	475	475	475

profile photo size for CEOs is 3.391, which is close to the maximum limit. Many CEOs utilize their own images in the annual report, demonstrating that the average CEO possesses a reasonable amount of self-confidence. The average value of CEO Financial Expertise in the sample is 0.2821, and the standard deviation is 0.450, showing that 28.21% of the sample companies have CEOs with financial expertise, while as much as 71.79% of the sample companies do not. The number of female CEOs has an average value of 0.0737 and a standard deviation value of 0.261. The sample firms with female CEOs represent 7.37 percent of the overall sample, whereas the sample companies with male CEOs represent 92.6 percent of the total sample, indicating that the CEO position in Indonesian enterprises is dominated by men. The average CEO tenure in the sample is 6.079 years, and the standard deviation for this variable is 9.014. In this sample, the average term of CEOs is six years. The sixth to tenth year of a CEO's tenure, according to the CEO life cycle paradigm, is a "complacency trap" cycle. The chief executive felt at ease in his role. In many instances, the CEO begins to engage in a great deal of outside activities. Social activities, charity, community, and speaking at various seminars and forums. From the prior period onward, its performance began to improve (Citrin et al., 2019).

Table 7. Regression results

Variable	Coefficient Value	t-statistic	Prob	Result
(Constant)	–7.008267	–16.53763	0.0000	
CEO overconfidence	0.127800	3.190013	0.0015	H_1 accepted
CEO financial expertise	–0.016383	–0.262308	0.7932	H_2 rejected
CEO gender	0.050591	0.474542	0.6353	H_3 rejected
CEO tenure	–0.010747	–3.374036	0.0008	H_4 accepted
ROA	–0.065656	–3.659314	0.0003	
DER	–0.005170	–1.434404	0.1521	
Size	0.174579	11.57579	0.0000	
Industry	0.009932	0.936642	0.3494	
R Square	0.285874			
Adjusted R Square	0.273615			
F statistic	23.31829			
Prob(F-statistic)	0.000000			
ERM_{score} = −7.008267 + 0.127800 CEOo − 0.016383 CEOe + 0.050591 CEOg − 0.010747 CEOt − 0.065656 ROA − 0.005170 DER + 0.174579 Size + 0.009932 Industry + ε				

To test four hypotheses, multiple regression analysis cross section data is used. Table 7 illustrates the regression model results for regression models.

This study utilizes the CEO profile photo score from the annual report as a stand-in for CEO overconfidence to test the first hypothesis (H1), With a known p-value of 0.0015 (p-value < 0.05) and a regression coefficient of 0.127800, it is plausible to conclude that CEO Overconfidence influences ERM disclosure. The hypothesis, H1 is acceptable. The second hypothesis (H2) which is represented by the dummy variable, states that the presence of a CEO with accounting or financial understanding influences ERM disclosure. With a –0.016383 regression coefficient and a p-value of 0.7932 (p-value > 0.05), t is possible to conclude that CEO financial expertise has no effect on ERM disclosure. H2 is rejected.

The third hypothesis (H3) claims that the gender of the CEO influences ERM disclosure and is tested using the dummy variable of a female CEO's presence. Because the regression coefficient is 0.050591 and the p-value is 0.6353 (p-value > 0.05) it can be concluded that the CEO's gender has no effect on ERM disclosure. H3 cannot be accepted. The number of years the CEO has been in office utilized as a proxy for CEO tenure for the purpose of analyzing the fourth hypothesis. CEO tenure effects ERM disclosure based on the regression coefficient –0.010747 and the known p value of 0.0008 (p-value < 0.05). Consequently, H4 is acceptable.

In this study, the four control variables are ROA, DER, Size, and Industry Type. The coefficient of regression for the ROA is –0.065656, and the sig value is 0.0003 < 0.05. The profitability negatively affects ERM disclosure. Companies with substantial earnings invest aggressively to counteract ESG disclosures (Sassen et al., 2016). High ROA volatility discourages investors from making investments. Leverage is the second variable of control (DER). DER's regression coefficient is –0.005170, and its sig value is 0.1521 > 0.05. The disclosure of ERM is not affected by leverage. Companies with a significant degree of leverage are not required to disclose their risk management procedures. This can occur when critical information is transmitted to interested parties through means other than disclosure (Ahmed & Courtis, 1999) or when alternative sources of risk information, such as websites, exchange announcements, and mass media, are available. Risks can be communicated rapidly to stakeholders such as banks by companies (Syabani & Siregar, 2014).

The next variable is business size (SIZE). The regression coefficient for SIZE is 0.174579, and its sig value is 0.0000 < 0.05. Size effects ERM disclosure. Large enterprises have several stakeholders; hence, they provide more data. The study supports this assertion. Large organizations engage in more intricate business activities that may have an effect on the company and its stakeholders; as a result, they provide more information to demonstrate their public responsibility (Amran et al., 2009). Industry type is the final control variable (INDUSTRY). The regression coefficient for INDUSTRY is 0.009932, and the sig value is 0.3494 > 0.05. This indicates that industry has no bearing on ERM disclosure. Distinct industries use different accounting policies, measurement, valuation, and disclosure methodologies, resulting in varying amounts of disclosure. This is due to the fact that the banking industry is more regulated than others and must provide more information (Aljifri & Hussainey, 2007).

4. Discussion

According to the findings for the first hypothesis (H1) suggests that the strategic choices made by a corporation are significantly influenced by the CEO's overconfidence in his or her own psychological qualities. The upper echelon theory may be affected by the study's conclusions. Corporate managers, according to the upper echelon hypothesis, can influence strategic disclosure decisions; thus, a firm's willingness to divulge corporate environmental information can be influenced by managerial preferences and priorities, which are influenced by their personal characteristics (Petrenko et al., 2015). Overconfident CEOs are future-focused. Confident CEOs are more inclined to disclose voluntarily. This overconfident CEO will pad the annual report with rosy predictions about the company's future success at the expense of its rivals. Chief executive officer (CEO) hubris influences management's decision making, which might lessen the impact of information asymmetry. CEOs that are overconfident are more likely to provide information and plans voluntarily (Dhaliwal et al., 2012).

Overconfident CEOs are more likely to conceal information regarding the environment, society, and corporate governance. Given the risk of community action and financial fines, the corporation wants to increase its environmental, social, and governance disclosures (Murphy & Mcgrath, 2013). Since investors are more likely to examine non-financial components, overconfident CEOs view the environment, society, and governance as key investment considerations. Rate of return is a yardstick by which the company's efforts to create stakeholder value can be evaluated (Sumunar & Djakman, 2020). In a way comparable to that of Adam et al. (2015), Alqatamin et al. (2017), and Sumunar and Djakman (2020), the levels of self-assurance possessed by CEOs have an effect on the degree to which their respective businesses are transparent. The correlation between overconfidence and corporate disclosure is explored, and the results are comparable with those obtained by Rawson (2021). Researchers discovered that CEOs' overconfidence was linked to how much information their organizations were willing to share.

The findings of the second hypothesis test (H2) show that the presence of a CEO with financial expertise does not affect the company's ERM disclosures. The ERM disclosures are not affected by the CEO's financial knowledge. This would imply that companies headed by CEOs with financial backgrounds don't benefit from having a strong enterprise risk management system. It demonstrates that having a background in accounting or finance is no guarantee that a CEO understands risk because that background is not always put to good use. CEOs with a history in accounting and finance tend to take a more cautious approach to their work. Therefore, the CEO's future risk-taking may be affected (Bamber & Wang, 2010). These results are consistent with those of Faisal (2020), who found that a chief executive officer's level of education in terms of professional accounting qualifications had no bearing on the disclosure of a company's risks. It is assumed in this study that chief executive officers with economic, accounting, and business degrees will understand the significance of risk management disclosure. This should push the company's management to be more forthcoming about the details of how it handles risks. Our findings contradict those of previous research by Li et al. (2019), Ali and Taylor (2014), Ahmad et al. (2015), Sweiti (2017), Mohamed et al. (2020), Zango et al. (2016). The majority of top executive roles in Indonesian corporations are occupied by people with backgrounds other than finance (71.79%).

According to empirical evidence for testing third hypothesis (H3), a company's ERM disclosure is unaffected by the presence or absence of a female CEO, suggesting that the gender of the company's top executive has no bearing on the level of ERM disclosure made by that company. While increasing numbers of women CEOs would seem to indicate that increased gender diversity among top executives would increase risk management disclosure, the study's findings run counter to this idea. Contrary to the findings of other studies, including those by Bufarwa et al. (2020), Kartikarini and Mutmainah (2013), Kiflee et al. (2020), Khandelwal et al. (2020), Allini et al. (2016), Panditharathna (2019), Zango et al. (2016), Saggar and Singh (2017). Executive women tend to overestimate future profits while providing less detail, suggesting a preference for safety (Bamber & Wang, 2010). Companies with fewer than two female executives are less likely to pay close attention to stakeholder concerns and encourage ethical business practices in social and environmental matters (Al-baab & Yunia, 2017). Efforts to promote and improve corporate ethical behavior, such as the adoption of company policies, have been unsuccessful in Indonesian public firms due to a lack of female board skills and female participation on corporate boards (Handajani et al., 2014). Gender diversity is an issue in the business world, particularly when it comes to the proportion of women in upper management. Until recently, men dominated high management, with women playing a minor role (Francoeur et al., 2008). One of the many consequences is that women have difficulty advancing in the field of corporate governance. In this study, sample companies with female CEOs account for 7.37% of the overall sample, while sample companies with male CEOs account for 92.63% of the total sample. Because the majority of executives and CEOs in Indonesia are men, the role of female CEOs in revealing firm risk is restricted. The CEO works hard to protect the company's reputation and to reduce management risks. To mitigate the effects of external risks, the CEO actively shares material information with the company's constituents (Manita et al., 2018). The problem may be significantly more severe when it comes to female CEOs due to negative market reactions (Prabowo et al., 2017). According to Ramon-Llorens et al. (2021) women with social and political connections actually make business disclosure less transparent. The reason for this is that some board members are reluctant to offer shareholders with a level of corporate openness that certain individuals may find offensive. Consistent with these results is a finding from a more recent study by Faisal (2020) which concluded that having a female CEO would not affect ERM since women in such roles do not take risks. Nalikka (2009), suggests that this is due to the fact that women tend to prioritize strategic considerations over corporate disclosure. Neither the analysis nor the explanation of the non-significant results of this study can be completed, but it is stated that, in line with Nalikka (2009), female CEOs in Indonesia may place more emphasis on strategic decisions than on corporate disclosure

The findings from fourth hypothesis testing (H4) imply that an organization's enterprise risk management improves with the term of its CEO (ERM). However, the reported link is skewed, showing that firms with shorter CEO tenures engage in ERM disclosures more than those with longer CEO tenures. External pressure on CEOs influences strategic decision-making. Longer-tenured CEOs can make important company decisions and handle external pressure better (Miller, 1991). Executives early in their careers, seeking to establish their credentials with market players while avoiding unnecessary financial risks, are thus more inclined to engage in corporate disclosure. However, Chiu and Sharfman (2018) found that irresponsible social activities can increase the likelihood of executive terminations, suggesting that the expansion of social practices may not be completely protecting CEOs from the risk of high turnover (Hubbard et al., 2017). In order to establish credibility in the market, CEOs who are relatively new to their positions disclose more information about the company than their predecessors who are reaching retirement age. The CEO's investment activity is shown to be significantly higher in the early stages of their careers, according to a recent study by (Pan et al., 2015). Transparency benefits firms and their leaders long-term. First-term CEOs prioritize business transparency more than their successors to avoid removal and boost their market status. Even though CEO tenure tends to fluctuate frequently, a nonlinear inverted U-shaped association between corporate transparency and CEO tenure has been seen (Khan et al., 2020). CEOs with shorter tenures and less expertise dealing with external challenges are more likely to offer risk management information in response to shareholder demand, according to the research. While close personal ties among executives can hinder their ability to keep an eye on things, seniority and experience can help them understand the company's commercial atmosphere. There will be no way for the board to steer the company's strategy and policies toward a secure future (Handajani et al., 2014). This research supports the findings of Faisal (2020) and Ali and Taylor (2014) who found a decline in a firm's risk disclosure as time passed (i.e., disclosure of operational risk, disclosure of environmental risk, disclosure of financial risk and disclosure of strategic risk). Given the positive effect voluntary disclosures have on financial targets, our results validate the signaling interpretation that CEOs with shorter service tenure are more ready to offer information on business risk management.

Conclusions

This study investigates CEO characteristics and enterprise risk management disclosure in Indonesia companies, and empirical evidence supports the hypothesis that CEO characteristics influence ERM disclosure. This research contributes to the upper echelon theory, which previously researchers focused on demographic variables only. Due to the fact that the top echelon theory was founded on personality and psychological characteristics, the selection of the CEO overconfidence component was the most significant contribution to the theory. Companies in Indonesia have not fully implemented ERM disclosures, so ERM disclosure scores based on ISO 31000:2018 have only been applied to a few companies. The implication is that more data are being studied without taking into account the type of industry. Researchers have tried to use control variables of the industrial variety. The disclosure of risk management in accordance with ISO 31000:2018 standards should be required by law in the future. The observation period should be extended in future research and more CEO demographic and psychological traits should be included in order to have a greater impact on ERM disclosure.

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